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SUBJECT: U.S.-RUSSIA BUSINESS FRONT AND CENTER AT SOCHI
FORUM

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¶1. (SBU) Summary: During his trip to Sochi on September 16-18 Ambassador Beyrle attended the Eighth International Sochi Investment Forum (the Forum) where he led a delegation of U.S. executives at a meeting with the Krasnodar Region and Sochi officials. He also visited the main venues and for the 2014 Winter Olympics and he met with the rector and students of the Russian State University of Tourism and Service (RSUTS). President Obama's message of U.S. interest in partnership with a strong and prosperous Russia, underlined by a significant U.S. corporate representation at the Forum, was well received by the Russian side and met with assurances from the Governor's office that the Krasnodar region is very interested in strong partners such as U.S. businesses. This active interest came as no surprise, given the daunting infrastructure and development challenges the region faces to be ready for the Olympics. End summary

¶2. (SBU) The Ambassador visited Sochi September 16-18 to attend the Eighth International Sochi Investment Forum, visited Olympic sites, and met with the Krasnodar Region and Sochi government administrations, as well as senior executives of the U.S. companies attending the Forum. During these meetings the Ambassador reiterated President Obama's message from the July Summit that the U.S. is seeking an effective partnership with a strong and prosperous Russia and stressed the importance and potential of the Russian-American economic partnership represented by a large U.S. corporate presence at the Forum this year.

2009 Sochi Investment Forum Highlights

¶3. (U) The Forum in Sochi, held annually and supported by the Russian Government, is Russia's largest regional event to present the investment potential of Russian regions. Since 2007, when Sochi won a bid to host the Winter Olympics in 2014, the infrastructure and Olympic construction projects in Sochi have been a special focus of the Forum.

¶4. (SBU) This year the plenary session - the central event of the Forum attended by Prime Minister Putin - focused on Russia's post-crisis investment strategy and featured an exclusively U.S.-Russian panel of speakers that included top Russian officials and senior executives of the largest Russian and U.S. companies. Sberbank and Avtovaz represented Russian business at the panel while Morgan Stanley, General Electric (GE), Texas Pacific Group (TPG) and PricewaterhouseCoopers spoke on behalf of U.S. business. GE CEO Jeff Immelt and Morgan Stanley CEO John Mack flew in specially to attend the Forum.

¶5. (U) Addressing the plenary session PM Putin said that Russia was open for foreign investment and attached special

importance to investment projects involving a transfer of technology to Russia. He singled out the following priority sectors and projects for foreign investment: 1) development of transport and energy infrastructure; 2) telecommunications; 3) digital TV; 4) large regional infrastructure projects such as the preparation of Vladivostok and Kazan for the APEC summit in 2012 and the 2013 Summer Universiade; and 5) energy-efficiency projects.

¶6. (U) PM Putin praised President Obama's decision to scrap plans for a missile defense shield in Poland and the Czech Republic and said that it gave him hope that the U.S. would cancel Cold War-era restrictions on trade with Russia, including restrictions on the transfer of high technology and the Jackson-Vanik amendment, as well as assist Russia, Kazakhstan and Belarus in joining the World Trade Organization.

¶7. (U) Despite remaining challenges ranging from transparency to traffic jams, and the fact that Russia's GDP is forecasted to fall this year because of the crisis, U.S. business leaders were upbeat about the prospects of Russia's resource-rich economy. TPG expressed cautious optimism about Russia as the fund is looking for opportunities for some \$30 billion in uninvested capital, and GE listed Russia among its priorities confirming its strong interest in partnering with a leading Russian company in a strategic sector.

U.S. Business Seen as Strong Partner

¶8. (SBU) The Ambassador led a group of ten U.S. executives at a meeting with First Vice-Governor of the Krasnodar Region Dzhambulat Khatauov, Sochi Mayor Anatoly Pakhomov & Chairman of the local legislature Vladimir Beketov. The U.S.

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delegation which included representatives of AmCham, Ernst & Young, Honeywell, General Electric Energy and Healthcare, Microsoft, PepsiCo, Science-Technique-Security, Coca-Cola, and Wal-Mart, expressed a strong interest in exploring cooperation and partnership opportunities in both Olympic Sochi and the Krasnodar region, receiving assurances from the Russian side that the Krasnodar region would like to have strong partners such as U.S. businesses.

Olympic Challenges

¶9. (SBU) An official from the Representative office of the Sochi 2014 Organizing Committee accompanied the Ambassador on a visit to Olympic sites on the coast and in the mountains. Although infrastructure and some venue construction has been launched in both the coastal and the mountain clusters, it is obvious that finishing all venues and holding "test" events by 2012 will be a serious challenge. At a meeting with the Ambassador, Russian State University of Tourism and Service Rector Alexander Fedulin echoed such concerns, pointing out a severe shortage of hospitality industry personnel and hotels that meet the International Olympic Committee standards.

¶10. (SBU) Comment: Both the large U.S. corporate presence at the Forum this year, and the remarkable fact that the plenary session turned into an entirely U.S.-Russian bilateral affair, are clear signs of a rebound in the U.S.-Russian relationship. With its strategic location on the Black and Azov Seas, its main city - Sochi - hosting the 2014 Winter Olympic Games, and the administration eager for more foreign investment, the Krasnodar Region presents enormous business opportunities for U.S. companies. Given that Russia's leadership has enormous prestige riding on the Olympics, active U.S. cooperation and assistance with the project could solve a host of problems for regional officials, given the daunting infrastructure and development challenges they face in the run-up to the Olympics. End Comment.
Beyrle